

UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

RISHI SHAH, SHRADHA AGARWAL,
BRAD PURDY, and ASHIK DESAI,

Defendants.

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CASE NO. 19-cv-07528

Hon. Thomas M. Durkin

INITIAL JOINT STATUS REPORT

Plaintiff, United States Securities and Exchange Commission (“the SEC”), and Defendants Rishi Shah, Shradha Agarwal, Brad Purdy, and Ashik Desai (collectively “Defendants”), state as follows:

1. Nature of the Case

(a) **Counsel**: The SEC is represented by Timothy S. Leiman, Tracy W. Lo, and Jedediah B. Forkner. Mr. Leiman is the SEC’s trial attorney.

For purposes of accepting and waiving service and for ongoing discussions with the SEC, Defendant Shah is represented by Jonathan Bunge, William Burck, and Margaret Haas of Quinn Emanuel Urquhart & Sullivan, LLP. Counsel for Defendant Shah has not entered a formal appearance in this matter, but Mr. Burck, Mr. Bunge, and Ms. Haas have filed a motion to enter a limited appearance pending the resolution of the Motion to Amend Protective Order and Vacate Seizure Warrant in the related criminal proceeding, *U.S. v. Shah, et al.*, Case No. 19-cr-864.

For purposes of accepting and waiving service and for ongoing discussions with the SEC, Defendant Agarwal is represented by Christina M. Egan, John D. Adams, and Vinu G. Joseph of McGuireWoods LLP. Counsel for Defendant Agarwal has not entered a formal appearance in this matter, but Ms. Egan and Messrs. Adams and Joseph have filed a motion to enter limited appearances pending the resolution of the Motion to Amend Protective Order and Vacate Seizure Warrant in the related criminal proceeding, *U.S. v. Shah, et al.*, Case No. 19-cr-864.

Defendant Purdy is represented by Theodore T. Poulos and Emily Vermilyen of Cotsirilos, Tighe, Streicker, Poulos & Campbell, Ltd. Mr. Poulos is Defendant Purdy's trial attorney.

Defendant Desai is represented by Jacqueline S. Jacobson of Monico & Spevack. Ms. Jacobson is Defendant Desai's trial attorney.

(b) **Jurisdiction**: This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77v] and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78aa].

(c) **Nature of the claims**: The SEC has alleged that Defendants Shah, Agarwal, Purdy, and Desai committed (and/or aided and abetted) securities fraud in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5], and Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)]. In addition, the SEC alleges that – pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)] – Defendant Shah should be held liable for violations of federal securities law attributable to uncharged party ContextMedia Health, LLC ("Outcome"). The Amended Complaint alleges that the Defendants – all officers of Outcome – defrauded investors in Outcome's

early 2017 securities offering. Specifically, the SEC alleges that the Defendants – knowingly or recklessly – made material misstatements to investors or omitted material information related to ongoing fraudulent business practices at Outcome.

The SEC's Amended Complaint was filed on November 25, 2019, and each Defendant has waived service of a summons. Currently, Defendants' responsive pleading is due January 24, 2019. Defendants have requested – and the SEC does not object to – an extension of Defendants' deadline to answer or otherwise plead to March 16, 2020 so that Defendants' Motion to Modify Protective Order in the related criminal proceeding, *U.S. v. Shah, et al.*, No. 19-CR-864, can be resolved.

2. Pending Motions and Case Plan:

(a) **Pending Motions:** The pending motions at this time are the motions to enter limited appearances filed by Quinn Emanuel Urquhart & Sullivan, LLP and McGuireWoods LLP referenced above. The U.S. Department of Justice (“DOJ”) also has filed a motion to intervene in this case and to stay this matter pending resolution of criminal proceedings in *U.S. v. Shah, et al.*, No. 19-CR-864.

In that proceeding, Defendants Shah and Agarwal have filed a Motion to Modify Protective Order which could affect the scope of counsels' representation of those two Defendants in this matter. The Parties anticipate that that motion will be resolved by February 12, 2020.

(b) **MIDPP:** The Parties have read the Court's Standing Order for the Mandatory Initial Discovery Pilot Project (MIDPP). Given that responsive pleadings have not been filed, the pending Motion to Amend Protective Order in the related criminal case,

and the pending DOJ motion to stay this case, the Parties have not yet discussed their MID disclosures.

(c) **Discovery**: Discovery ultimately will be needed on a variety of issues relating to liability, defenses, and remedies. The Parties expect to issue written discovery requests and take depositions of potential witnesses. The Parties also expect to retain expert witnesses, review expert reports and take the depositions of any expert witnesses.

Because of the pending motion to stay proceedings from the DOJ, the Parties propose that they submit a joint proposed discovery schedule within fourteen (14) days of either (a) the Court's lifting of any stay imposed upon granting of the DOJ's motion, or (b) the Court's entry of an Order denying the DOJ's motion.

(d) **E-discovery**: Discovery will encompass electronically stored information including e-mails, electronic voice messages, and native files related to various business functions of Outcome. The Parties anticipate discussing electronic discovery in more detail in connection with their submission of a proposed discovery schedule as described above.

(e) **Jury Trial**: A jury trial has been requested. The Parties anticipate that trial will take approximately 20 trial days.

(3) **Magistrate Judge**: The parties do not consent to proceed before a Magistrate Judge for all matters in this case.

(4) **Status of Settlement Discussions**

(a) The SEC has discussed settlement with Defendant Desai. The SEC and Defendant Desai are optimistic that the SEC will be able to file a Motion for Partial Judgement as to Defendant Desai within the next 30 days. To date, the SEC and Defendants Shah, Agarwal, and Purdy have not had settlement discussions.

(b) Due to the pendency of the criminal case, the Parties do not believe that a settlement conference with a magistrate judge would be productive at this time.

(c) The parties are not interested in pursuing arbitration or mediation at this time.

January 21, 2020

Respectfully submitted,

/s/ **Timothy S. Leiman**

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